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CENTRAL INTELLIGENCE AGENCY  
Office of Current Intelligence  
13 February 1963

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The Current Political and Economic Situation in Malta

A. Summary

The small and overpopulated Maltese Archipelago has been promised early independence by the British subject to satisfactory constitutional and treaty arrangements for meeting the UK's sharply reduced strategic requirements there. Prime Minister Borg-Olivier's generally conservative but weak government has, however, delayed independence preparations, partly because of Malta's serious economic problems and partly out of fear of ex-Prime Minister Mintoff, leader of the opposition Maltese Labor Party and the island's most astute political figure. Mintoff, who currently advocates socialist-neutralist policies, has in the past sought close ties with both Britain and the US in his varied maneuverings for greater amounts of economic aid.

B. Constitutional Situation

1. The State of Malta is an internally self-governing colony in which the British retain control of the police plus concurrent--and in effect final--responsibility for foreign affairs and the defense under the present interim constitution. The elections of 17-19 February 1962 restored representative government to the politically advanced but economically unviable island after nearly four years of direct British rule. British officials had taken over in April 1958 from the shrewd but erratic Dom Mintoff after a complicated dispute basically concerned with the level of British economic aid. London subsequently tried to

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obtain Maltese agreement on a new regime and was finally forced to impose the present constitution in late 1961 when Mintoff continued to refuse consultation and insisted on immediate independence. Until the past year the British had felt that they could not ensure their few remaining military requirements in an independent Malta and have only recently conceded independence in principle.

2. Although the Nationalist Party won the elections--25 seats to 16 for Mintoff's Malta Labor Party--Borg-Olivier's government has been weak and ineffective and is considered unlikely to survive another test at the polls. Mintoff remains the island's most capable as well as most popular political leader and his electoral defeat was largely attributed to religious opposition. Mintoff has been in sharp conflict for years with the Roman Catholic hierarchy, which in Malta is unusually conservative in its views and a powerful political force. The remaining 9 of the 50 legislative seats are held as follows: 4 each by two splinters from the main parties--the Democratic Nationalist Party and the Christian Workers Party--and 1 by the tiny, ardently pro-British Progressive Constitutional Party.

3. London promised last fall to grant Malta independence as soon as preparatory arrangements could be completed, but many Maltese leaders including Borg-Olivier himself are not enthusiastic for independence status and the resultant diminution of British financial aid. For tactical reasons, Borg-Olivier demanded independence last August, but at the 6-12 December conference convened to discuss it, he charged London with trying to dump its Maltese responsibilities. The timetable of constitution drafting and other preparatory steps discussed at the conference would have brought independence by about the end of 1963, but the Maltese have already delayed this by undertaking no action to date on any of these preparatory steps.

4.

Both the Democratic Nationalists and the Christian Workers are against independence at this time; the Progressive Constitutional Party is against independence at any time.

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5. As 1962 Defense planning reduced Malta to a forward operating base, London has been reducing its forces there--there were only 1,400 troops present by January 1963--and sharply cutting back associated expenditures. In 1962 direct service expenditures in Malta ran about \$61,000,000 but are likely to be reduced by half over the next five year. London still wishes, however, to retain its naval base and air facilities, and hopes to ensure this by an understanding at the December constitutional conference that a defense agreement would be signed after independence. As a "sweetener" Britain agreed to continue to provide economic aid for a period of years. Details have not been discussed, however, and considerable difficulty in reaching any final text is likely.

C. Economic Problems

1. With a high population density and meager resources, Malta has long been plagued by unemployment and requires outside support to remain economically viable. UK economic aid now runs about \$14,000,000 per year. London's efforts to date to promote tourism and secondary industry have had little success, and the present reduction in British military forces combined with difficulties in the dockyard--the island's largest employer--render the situation acute. A recent official survey estimated that nearly 20,000 of a labor force of 90,000 will be unemployed within four years compared to a 6 percent rate now. The military rundown combined with planned layoffs in the dockyard could at any time generate strikes and resulting disorders.

2. London tried to alleviate the situation by contracting several years ago with a civilian firm--Bailey's--to operate the dockyard no longer needed by the Admiralty, but Bailey's inefficiency and misuse of government-supplied funds made the problem worse.

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In December the Bailey firm reacted to official criticism by initiating litigation against the Crown which may take years to settle, and it may even decide in the meantime to shut down the yard. As an alternative the British hope to arrange for a US firm to manage the dockyard.

3. Both the British and Maltese have for years tried to obtain US assistance for Malta, primarily to promote industry in the colony and to increase the present US immigration quota of 100 to provide an outlet for the unemployed. Last year the British also suggested that the US Navy increase its use of the dockyard. NATO's Mediterranean command has long had its headquarters on Malta, but the US moved its NATO-committed naval air facility to Sicily in 1959. Some Maltese leaders and British officials have periodically expressed interest in greater US or NATO use of Malta for the economic benefits this would entail. While generally very pro-US, the public has on occasion become exercised over the possibility that nuclear weapons would be stored on Malta.

#### D. The Mintoff Problem

1. The actively pro-Western Borg-Olivier government is considered unlikely to survive long, and the erratic but capable Mintoff is likely to take over--unless the British prevent it by methods like those they used in 1958. The working level of the UK Colonial Office believes that fear of dominance by Mintoff and his leftist followers is a main factor in the reluctance of other politicians and the Roman Catholic hierarchy to accept Maltese independence. While unwilling to work with Mintoff, the British might hesitate to suspend the constitution again and resume control.

2. [redacted] the 48-year-old Oxford graduate is a skilled tactician given to surprising moves which catch the opposition off balance. He is favored in the present situation by his control of the 17,000-member General Workers Union which he has used in the past for stirring up labor disorders. The union also provides the principal support for the Malta Labor Party which is affiliated with the Cairo-based Asian People's Solidarity Organization. Mintoff

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is currently espousing a socialist, neutralist policy that opposes the use of the island for NATO or other military purposes. In 1949, however, Mintoff's resignation as deputy Prime Minister was reportedly precipitated by his superior's unwillingness to give London an ultimatum for more aid under threat of offering a military base to the US. For a period starting in 1955 Mintoff was seeking Malta's complete integration with the United Kingdom on the assumption that this would mean that Maltese citizens would receive the same level of social welfare benefits as UK residents. In a 1 November 1962 conversation with US Consul General Ruffner, Mintoff made clear that he will seek aid wherever he can and wanted a promise of US assistance now. However, he also made clear that no commitments would be made in return for aid.

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